

News Release

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BALANCED BUDGETS AND BALANCED APPROACH HIGHLIGHT ECONOMIC AND FISCAL UPDATE

Sound fiscal management and prudent spending are the keys to maintaining Canada's economic momentum and improving our standard of living, John Manley, Deputy Prime Minister and Minister of Finance, said today.

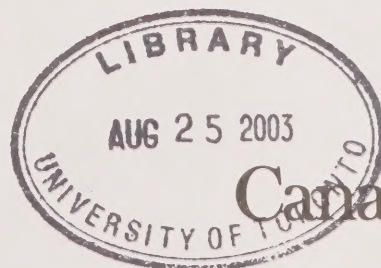
"Our approach must be no different from that of Canadian families balancing their household budgets. We must spend wisely and live within our means," Minister Manley stated in a presentation to the House of Commons Standing Committee on Finance in Halifax.

The Minister announced that the Government has restored the \$3-billion annual Contingency Reserve effective this fiscal year to guard against unforeseen circumstances. As usual, any year-end surplus goes to pay down debt. As well, the Government will include an additional degree of economic prudence in its budget planning, which will provide a further financial cushion to ensure that Canada does not go back into deficit.

On the economic front, Minister Manley says Canadians have reason to be pleased with the performance of the nation's economy in 2002:

- Canada's economy grew at an annualized rate of more than 5 per cent in the first half of 2002, and private sector forecasters project growth of 3.4 per cent for the year as a whole and 3.5 per cent in 2003 – the best performance in the G-7;
- from January to September the Canadian economy created 427,000 new jobs. The majority of these jobs were full-time and gains were made in every region of the country; and
- real disposable income has climbed by 2.9 per cent, or about \$600 per person, over the past 12 months.

The Minister noted, however, that the Government must remain prudent in its budget planning because economic weakness among many of our major trading partners, particularly the United States, coupled with the threat of military conflict in Iraq, could have a negative impact on Canada's economic outlook.



The Minister added that in planning for its upcoming budget, the Government will look for opportunities to realign its spending and reallocate funds from programs that have already served their purpose to those that meet the immediate needs of Canadians. "Such reallocation will not be used for debt reduction; instead, monies freed up will be used to help address new, pressing needs," the Minister said.

Based on private sector projections, Canada's fiscal-planning surpluses are estimated as follows: 2002-03: \$1.0 billion, 2003-04: \$3.1 billion, 2004-05: \$3.5 billion, 2005-06: \$6.8 billion, 2006-07: \$10.5 billion, 2007-08: \$14.6 billion.

Mr. Manley reaffirmed the Government's commitment to implementing policies that will further boost Canada's productivity as a nation. A crucial element in this process is to position Canada as a magnet for talent and investment by:

- making sure the Government's existing regulatory policies are as efficient, transparent and cost-effective as possible to encourage investment and entrepreneurship;
- ensuring that Canadians are equipped with what they need to succeed in a rapidly changing world, and that our children get the best possible start in life;
- working with the provinces and territories and all stakeholders to improve corporate governance standards and reform securities regulation;
- working with the provinces to agree on a long-term plan to ensure our health care system can meet the challenges of the 21st century; and
- investing in the nation's infrastructure to build competitive cities and healthy, safe communities.

"These are important steps in what must be a continuous effort to shape our economy to meet the needs of both today's citizens and future generations," the Minister said.

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